

Message Text

PAGE 01 SANTO 00301 232109Z

62

ACTION SS-30

INFO OCT-01 ISO-00 /031 W

----- 066121

R 231320Z JAN 74

FM AMEMBASSY SANTO DOMINGO

TO SECSTATE WASHDC 9661

C O N F I D E N T I A L SANTO DOMINGO 301

STADIS//////////

EXDIS

FOR THE SECRETARY FROM AMBASSADOR

E.O. 11652: GDS

TAGS: EIND, EFIN

SUBJECT: IRS TAX RULING AND US BUSINESS OVERSEAS

REF: SANTO DOMINGO 5039

1. KNOWING OF YOUR ENCOURAGEMENT OF POSSIBLE NEW IDEAS, I TAKE THE LIBERTY OF SKETCHING BELOW A SUGGESTION WHICH YOU MAY FIND WORTHY OF FURTHER EXPLORATION. AS YOU KNOW, ONE OF THE THORNY ISSUES THAT HAS MARRED OUR RELATIONS WITH A NUMBER OF LATIN AMERICAN NATIONS HAS BEEN THEIR AMBIVALENT ATTITUDE TOWARD US PRIVATE INVESTMENT IN THEIR COUNTRIES. SOME OF THE POLICIES AND PRACTICES OF US BUSINESS IN LATIN AMERICA HAVE, I BELIEVE, BEEN IN PART RESPONSIBLE FOR ENGENDERING

THE NEGATIVE SIDE OF THEIR ATTITUDE. BASED UPON MY EXPERIENCE AS LABOR ATTACHE DURING THE 1950'S AND MORE RECENTLY AS DEPUTY ASSISTANT SECRETARY IN ARA, I THINK THAT SOME OF THE NEGATIVE ATTITUDE TOWARD US PRIVATE INVESTMENT MIGHT HAVE BEEN COUNTERED AND PERHAPS AVOIDED HAD A NUMBER OF THE COMPANIES CONCERNED ADOPTED POLICIES AND ENGAGED IN PRACTICES THAT WOULD HAVE IMPROVED THEIR IMAGE AS EXEMPLARY CORPORATE

CITIZENS IN THE SOCIETY IN WHICH THEY FOUND THEMSELVES. SPECIFICALLY, HAD THEY RE-INVESTED MORE OF THEIR RESOURCES IN THE FURTHER SOCIO-ECONOMIC DEVELOPMENT OF THE COUNTRY CONCERNED (PERHAPS IN CONJUNCTION

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 SANTO 00301 232109Z

WITH THE LOCAL GOVERNMENT OR THROUGH A FOUNDATION THAT THEY MIGHT HAVE CREATED FOR THE PURPOSE) THEY MIGHT HAVE BECOME LESS VULNERABLE TO ATTACK OR TAKEOVER.

2. FOR A VARIETY OF REASONS, THE USG'S ABILITY TO INFLUENCE CORPORATE DECISIONS ALONG THE ABOVE LINE HAS IN MY EXPERIENCE RANGED FROM NON-EXISTENT TO MARGINAL. NEVERTHELESS, LOCAL CRITICISM OF SOME US COMPANIES RUBS OFF ON US. FURTHER, WHEN NATIONALIZATION IS THREATENED OR OCCURS, THE USG IS OFTEN CALLED UPON TO BECOME HEAVILY INVOLVED IN THE ISSUE. BILATERAL RELATIONS HAVE ON OCCASION BECOME QUITE STRAINED. IN SOME CASES, IT HAS NEVERTHELESS PROVED POSSIBLE THROUGH MORAL SUASION FOR AN EMBASSY TO CONVINCE A US CORPORATION TO ADOPT MEASURES DESIGNED TO PROLONG ITS LONGEVITY (REFTEL). IT HAS OCCURED TO US HERE, HOWEVER, THAT THERE MAY BE A MORE EFFECTIVE MEANS OF INDUCING US COMPANIES TO BEHAVE IN A MORE CONSTRUCTIVE FASHION, WHICH AT THE SAME TIME WOULD ENABLE THE USG TO PLAY A MORE ACTIVE ROLE IN INFLUENCING CORPORATE DECISIONS TOWARD THAT END.

3. WE UNDERSTAND THAT UNDER CURRENT US TAX REGULATIONS DEDUCTIONS FOR BUSINESS EXPENSES ARE LIMITED SPECIFICALLY TO THOSE THAT ARE DEMONSTRABLY RELATED TO THE CORPORATION'S COST OF DOING BUSINESS, I.E. THAT THE CORPORATION DIRECTLY BENEFITTED BY THE EXPENDITURE. I THINK THAT IT COULD BE PERSUASIVELY CONTENDED THAT IN CERTAIN COUNTRIES "THE COST OF DOING BUSINESS", I.E. PROTECTING INVESTMENT, INVOLVES A WHOLE SERIES OF ACTIVITIES DESIGNED TO IMPROVE THE COMPANY'S STANDING IN THE FOREIGN SOCIETY. THESE ACTIVITIES MIGHT INCLUDE THE OFFER OF TECHNICAL AND FINANCIAL ASSISTANCE IN THE COUNTRY'S DEVELOPMENT PROGRAM IN THE AREAS OF HEALTH, AGRICULTURE AND EDUCATION, WITH SPECIAL ATTENTION TO THE "LITTLE MAN", AS CONSONANT WITH THE USAID PROGRAM. INTANGIBLE AS THE BENEFITS OF SUCH ACTIVITIES MIGHT BE, THEY ARE NONETHELESS REAL AND I FOR ONE WOULD BE PREPARED TO CERTIFY THEM AS NECESSARY BUSINESS EXPENSES TO THE INTERNAL REVENUE SERVICE IN SPECIFIC INSTANCES. A RULING BY THE IRS THAT SUCH COSTS ARE INDEED DEDUCTIBLE AS BUSINESS EXPENSES HAS, WE UNDERSTAND, NEVER BEEN SOUGHT NOR MADE. WERE IT TO BE MADE, I THINK IT WOULD BE A LANDMARK DECISION THAT COULD

CONFIDENTIAL
CONFIDENTIAL

PAGE 03 SANTO 00301 232109Z

ENCOURAGE US CORPORATIONS TO UNDERTAKE NEW, POSITIVE ACTIVITIES ABROAD, WOULD REDOUND TO THE BENEFIT OF THE ADMINISTRATION'S IMAGE ABROAD AND WOULD PLACE THE AMBASSADOR AND HIS COUNTRY TEAM (WERE IRS RULINGS IN INDIVIDUAL INSTANCES TO BE BASED UPON THE JUDGMENT AND RECOMMENDATION OF AN EMBASSY) IN AN IMPROVED POSITION OF LEVERAGE TO INFLUENCE CORPORATE ACTIVITIES ABROAD IN THE POLITICAL, SOCIO-ECONOMIC

(AS DISTINCE FROM BUSINESS) ARE. THERE MAY BE SEVERAL PROBLEMS, NOT THE LEAST OF WHICH COULD BE THAT OF CONGRESSIONAL ATTITUDES; BUT THE THOUGHT MAY BE WORTH EXPLORING FURTHER.

4. A FURTHER MOTIVATION IN COMMUNICATING WITH YOU ON THIS SUBJECT IS THAT I HAVE INFORMALLY AND TENTATIVELY DISCUSSED THIS THOUGHT WITH GULF AND WESTERN'S CHRLIE BLUDHORN AND LARRY LEVENSON DURING THEIR RECENT VISIT HERE. THEY BOTH REACTED POSITIVELY AND INTEND TO HAVE THE G&W TAX PEOPLE LOOK INTO IT FURTHER. SINCE CHARLIE MENTIONED THAT HE HAS THE PRIVILEGE OF SEEING YOU OR OTHERWISE COMMUNICATING WITH YOU ON OCCASION, I THOUGHT YOU SHOULD BE AWARE. FINALLY, IF THE SUGGESTION HAS ANY MERIT, YOU MAY WISH TO THINK IN TERMS OF ITS POSSIBLE USEFULNESS AT YOUR PROJECTED MEETING IN MEXICO NEXT MONTH.
HURWITCH

CONFIDENTIAL

<< END OF DOCUMENT >>

Message Attributes

Automatic Decaptioning: Z
Capture Date: 27 JUL 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TAXES, FINANCIAL DATA, BUSINESS FIRMS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Draft Date: 23 JAN 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTO00301
Document Source: ADS
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Film Number: P750001-2513
From: SANTO DOMINGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740174/abbrzbmz.tel
Line Count: 121
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: SANTO DOMINGO 5039
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by boyleja>; APPROVED <06 DEC 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: IRS TAX RULING AND US BUSINESS OVERSEAS
TAGS: EIND, EFIN, US, CI
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005